

Great River Regional Waste Authority

**Independent Auditor's Reports
Financial Statement and
Required Supplemental Information
Schedule of Findings**

June 30, 2008

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**Great River Regional Waste Authority
Officials
June 30, 2008**

Name	Title	Area Represented
Bob Woodruff	Chairperson	Lee County
Brad Randolph	Vice Chairperson	City of Fort Madison
Susan Dunek	Authority Member	City of Keokuk
Marc Lindeen	Authority Member	Henry County
Gary Adam	Authority Member	Van Buren County
Wade Hamm	Operations Manager	
Colleen Lumsden	Business Manager	



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Independent Auditor's Report

To the Members of
Great River Regional Waste Authority

We have audited the accompanying financial statement of Great River Regional Waste Authority (Authority) as of and for the year ended June 30, 2008. This financial statement is the responsibility of the Authority's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of Great River Regional Waste Authority as of June 30, 2008, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 7 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on Great River Regional Waste Authority's financial statement. The financial statements for the three years ended June 30, 2007 (none of which are presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting.

Other supplemental information included on page 18 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

CPA Associates PC

June 29, 2009

Great River Regional Waste Authority Management's Discussion and Analysis

Great River Regional Waste Authority (Authority) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Authority is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Authority's financial statement, which follows.

FINANCIAL HIGHLIGHTS

- Operating receipts increased 11%, or \$308,371, from fiscal 2007 to fiscal 2008.
- Operating disbursements increased 18%, or \$346,297 from fiscal 2007 to fiscal 2008.
- Non-operating receipts/(disbursements), net increased \$1,949,026 from fiscal 2007 to fiscal 2008.
- Cash basis net assets increased 352%, or \$2,669,250 from fiscal 2007 to fiscal 2008.

USING THIS ANNUAL REPORT

The Authority has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Authority's financial activities
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Authority's operating receipts and disbursements, non-operating receipts and disbursements, and whether the Authority's financial position has improved or deteriorated as a result of the year's activities
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statement
- Other Supplementary Information provides information about the Authority's outstanding debt

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Authority and the disbursements paid by the Authority, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Authority's cash basis financial position by analyzing the increase and decrease in cash basis net assets. Certain prior year amounts have been reclassified to conform to current year classifications.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Authority. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases, capital projects and debt payments. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2008 and June 30, 2007 is presented below:

Changes in Cash Basis Net Assets		Year ended June 30,	
		2008	2007
Operating receipts:			
Solid waste gate fees	\$	2,017,172	\$ 1,854,844
Solid waste tax collections		175,225	188,527
Waste management fees		610,298	319,830
Recycling fees		101,411	248,760
Other		<u>182,268</u>	<u>166,042</u>
Total operating receipts		<u>3,086,374</u>	<u>2,778,003</u>
Operating disbursements:			
Salaries and benefits		704,785	766,685
Hauling and freight		169,275	187,246
Fuel and lubricants		145,490	128,689
Equipment purchase		322,128	-
Equipment repair and maintenance		147,811	124,782
Consulting, legal and audit		72,040	198,421
Building and grounds		53,559	21,279
Landfill roads maintenance		67,799	-
Insurance		80,243	-
Closure and postclosure care		89,891	-
Iowa Department of Natural Resources tonnage fee		173,893	223,655
Other		<u>238,670</u>	<u>268,530</u>
Total operating disbursements		<u>2,265,584</u>	<u>1,919,287</u>
Excess of operating receipts over operating disbursements		820,790	858,716
Non-operating receipts/(disbursements), net		<u>1,848,460</u>	<u>(100,566)</u>
Increase in cash basis net assets	\$	<u>2,669,250</u>	<u>\$ 758,150</u>

Cash Basis Net Assets

	Year ended June 30,	
	2008	2007
Restricted for:		
Financial assurance	\$ 2,200,666	\$ 2,294,972
Capital expansion	3,022,192	-
Solid waste tonnage fees	368,538	328,341
Solid waste tax	<u>-</u>	<u>26,148</u>
Total restricted net assets	5,591,396	2,649,461
Unrestricted	<u>1,282,404</u>	<u>1,555,089</u>
 Total cash basis net assets	 <u>\$ 6,873,800</u>	 <u>\$ 4,204,550</u>

In fiscal 2008, operating receipts increased by \$308,371, or 11%, from 2007. The increase was primarily the result of gate receipts increasing by \$162,328 due to a rate increase implemented August 1, 2007 and the operating portion waste management fees increasing by \$290,468 due to the payoff of the Authority's bonds in fiscal 2007. Sales of recyclable materials decreased by \$147,349 due primarily to a decline in market prices. In fiscal 2008, operating disbursements increased \$346,297, or 18%, primarily due to a large equipment purchase.

Non-operating receipts/(disbursements), net increased \$1,949,026 due to the receipt of a capital contribution of \$3,786,256 to be used for future landfill expansion and disbursements for landfill expansion totaling \$1,902,053.

A portion of the Authority's net assets, \$2,200,666 (32%), is restricted to provide financial assurance for closure and postclosure care. State and federal laws and regulations require the Authority to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. A portion of net assets, \$368,538 (5%), is restricted for planning and waste reduction programs and \$3,022,192 (44%) is restricted for future landfill expansion. The remaining net assets, \$1,282,404 (19%), are unrestricted net assets that can be used to meet the Authority's obligations as they come due. Unrestricted net assets decreased \$272,685 (17%) during the year, primarily due to a large equipment purchase.

LONG-TERM DEBT

At June 30, 2008, the Authority had \$497,458 in debt outstanding, a decrease of \$249,297 from 2007. The table below summarizes outstanding debt by type:

	June 30,	
	2008	2007
Solid Waste alternative program (SWAP) loan	\$ -	\$ 45,589
Capital lease purchase agreements	<u>497,458</u>	<u>701,166</u>
 Total	 <u>\$ 497,458</u>	 <u>\$ 746,755</u>

Additional information about the Authority's long-term debt is presented in Note 3 to the financial statement.

ECONOMIC FACTORS

Some of the projects and realities that will present challenges for the Authority in the coming year are:

- In August 2007, the Authority approved an agreement with the Federal Aviation Authority and the City of Fort Madison for the re-location of a grass runway at the Fort Madison Municipal Airport at an estimated cost of \$300,000 to comply with distance requirements between the landfill and the active airport area. This cost is to be covered by a portion of the Lee County capital contribution received in November 2007, which has been restricted for capital expansion. As of June 30, 2008, no disbursements related to the runway relocation had been made.
- The Authority has a long-term landfill expansion plan, which is to be implemented in phases to coincide with demand and the resulting need for landfill capacity. The cost to implement this plan cost is to be covered by a portion of the Lee County capital contribution received in November 2007, which has been restricted for capital expansion.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to show its accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Great River Regional Waste Authority, 2092 303rd Avenue, Fort Madison, Iowa 52627-9751.

Great River Regional Waste Authority
Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets
June 30, 2008

Operating Receipts

Solid waste gate fees	\$ 2,017,172
Waste management fees	610,298
Integrated waste services support	39,272
Recycling fees	101,411
Sales tax collections	14,764
Solid waste tax collections	175,225
Planning and retention fees	75,706
Miscellaneous	<u>52,526</u>
Total operating receipts	<u>3,086,374</u>

Operating Disbursements

Salaries and benefits	704,785
Hauling and freight	169,275
Fuel and lubricants	145,490
Equipment rental	12,925
Equipment purchase	322,128
Equipment repair and maintenance	147,811
Consulting, legal and audit	72,040
Office equipment and supplies	48,751
Utilities	32,063
Building and grounds	53,559
Landfill roads maintenance	67,799
Insurance	80,243
Hazardous material disposal	35,356
Woodwaste processing	24,894
Leachate disposal and testing	23,567
Tire processing	12,033
Appliance disposal	5,424
Closure and post closure care	89,891
Sales tax remitted	14,556
Iowa Department of Natural Resources tonnage fee	173,893
Miscellaneous	<u>29,101</u>
Total operating disbursements	<u>2,265,584</u>

Excess of operating receipts over operating disbursements	<u>820,790</u>
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See notes to financial statement.

Great River Regional Waste Authority
Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets
June 30, 2008

Non-Operating Receipts (Disbursements)

Interest on investments	166,429
Iowa Department of Vocational Rehabilitation Services grants	45,085
Sale of equipment	66,000
Capital contribution	3,786,256
Landfill capital expansion	(1,902,053)
Settlement expense	(25,000)
Debt Service:	
Iowa Department of Natural Resources SWAP loan:	
Principal	(45,589)
Interest	(9,208)
Equipment leases:	
Principal	(203,708)
Interest	(29,752)
Net non-operating receipts (disbursements)	<u>1,848,460</u>
Net change in cash basis net assets	2,669,250
Cash basis net assets, beginning	<u>4,204,550</u>
Cash basis net assets, ending	<u>\$ 6,873,800</u>

Cash Basis Net Assets

Restricted for:	
Financial assurance	\$ 2,200,666
Capital expansion	3,022,192
Solid waste tonnage fees	<u>368,538</u>
	5,591,396
Unrestricted	<u>1,282,404</u>
Total cash basis net assets	<u>\$ 6,873,800</u>

See notes to financial statement.

Great River Regional Waste Authority
Notes to Financial Statement

Note 1. Summary of Significant Accounting Policies

Great River Regional Waste Authority (Authority) was formed in 1988 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Authority is to develop, operate and maintain solid waste disposal and resource recovery facilities in Lee County on behalf of the units of government, which are members of the Authority.

The governing body of the Authority is composed of one representative from each member. The members of the Authority include Lee County, Henry County, Van Buren County and the cities of Fort Madison and Keokuk. Each member of the Authority has one vote.

Reporting Entity

For financial reporting purposes, the Authority has included all funds, organizations, agencies, boards, commissions and authorities. The Authority has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority. The Authority has no component units that meet the GASB criteria.

Basis of Presentation

The accounts of the Authority are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Basis of Accounting

The Authority maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Authority is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and post-closure care. Accordingly, the financial statement does not present the financial position and results of operations of the Authority in accordance with accounting principles generally accepted in the United States of America.

Great River Regional Waste Authority
Notes to Financial Statement

Note 1. Summary of Significant Accounting Policies (continued)

Net Assets

Funds set aside for payment of closure and postclosure care and solid waste tonnage fees are classified as restricted.

Note 2. Cash and Investments

The Authority's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Authority; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Authority had no investments meeting the disclosure requirements of GASB Statement No. 3, as amended by Statement No. 40.

Note 3. Long-Term Debt

Solid Waste Alternatives Program (SWAP) Loan

In February 2002, the Authority entered into a loan agreement with the Iowa Department of Natural Resources (DNR) to provide funds to assist with the cost of expanding the existing composting facility and implementing a program to accept source separated organic waste from business and industrial generators. The agreement awarded up to \$296,250 in the form of a forgivable loan of \$20,000, a zero interest loan of \$150,000 and a 3% interest loan of \$126,250. The SWAP loan program was primarily associated with the Authority's composting programs. With the discontinuance of these programs in 2006, the Authority entered into an agreement with the DNR to make an early payoff of the remaining loan balance and, on March 21, 2008, the remaining balance of \$45,589 was retired.

Capital Lease-Purchase Agreements

In September 2003, the Authority entered into a lease-purchase agreement to purchase a lift truck. The agreement had an effective interest rate of 4.50% and required monthly payments of \$642, including interest, with the final payment due on September 8, 2007. During the year ended June 30, 2008, the Authority paid \$1,276 in principal and \$5 in interest for a total of \$1,281. The lease obligation was paid in full and expired during the fiscal year ended June 30, 2008.

Great River Regional Waste Authority
Notes to Financial Statement

Note 3. Long-Term Debt (continued)

In July 2003, the Authority entered into a lease-purchase agreement to purchase a loader. The agreement had an effective interest rate of 3.75% and required monthly payments of \$2,177, including interest, with the final payment due on July 22, 2007. During the year ended June 30, 2008, the Authority paid \$2,172 in principal and \$5 in interest for a total of \$2,177. The lease obligation was paid in full and expired during the fiscal year ended June 30, 2008.

In September 2004, the Authority entered into a lease-purchase agreement to purchase a skid loader. The agreement had an effective interest rate of 4.25% and required monthly payments of \$627, including interest, with the final payment due on September 11, 2007. During the year ended June 30, 2008, the Authority paid \$626 in principal and \$1 in interest for a total of \$627. The lease obligation was paid in full and expired during the fiscal year ended June 30, 2008.

In July 2003, the Authority entered into a lease-purchase agreement to purchase a powerscreen shredder. The agreement has an effective interest rate of 4.83% and requires semi-annual payments of \$21,461, including interest, with the final payment due on December 15, 2012. During the year ended June 30, 2008, the Authority paid \$33,433 in principal and \$9,489 in interest for a total of \$42,922. The balance on the agreement at June 30, 2008 was \$171,686.

In September 2002, the Authority entered into a lease-purchase agreement to purchase a CMI Bioground 400 grinder. The agreement has an effective interest rate of 5.84% and requires semi-annual payments of \$16,497, including interest, with the final payment due on June 15, 2012. During the year ended June 30, 2008, the Authority paid \$25,099 in principal and \$7,893 in interest for a total of \$32,992. The balance on the agreement at June 30, 2008 is \$116,186.

In July 2004, the Authority entered into a lease-purchase agreement to purchase a compactor and CAES system. The agreement has an effective interest rate of 4.75% and requires monthly payments of \$12,788, including interest, with the final payment due on December 30, 2009. During the year ended June 30, 2008, the Authority paid \$141,102 in principal and \$12,359 in interest for a total of \$153,461. The balance on the agreement at June 30, 2008 is \$209,586.

The following is a schedule of future minimum lease payments and the present value of net minimum lease payments under the above agreements in effect at June 30, 2008:

June 30,	
2009	\$ 229,377
2010	139,375
2011	75,915
2012	75,916
2013	<u>21,066</u>
Total minimum lease payments	541,649
Less amount representing interest	<u>(44,191)</u>
Present value of net minimum lease payments	\$ <u>497,458</u>

Great River Regional Waste Authority
Notes to Financial Statement

Note 4. Compensated Absences

Authority employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Authority until used or paid. The Authority's approximate liability for earned vacation payable to employees at June 30, 2008 was \$37,489. This liability has been computed based on rates of pay in effect at June 30, 2008.

Note 5. Pension and Retirement Benefits

The Authority contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual salary, and the Authority is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Authority's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$26,186, \$28,861 and \$39,712, respectively, equal to the required contributions for each year.

Note 6. Closure and Post-Closure Care Cost

To comply with federal and state requirements, the Authority is required to complete a monitoring system plan and a closure/post-closure plan to provide funding necessary to effect closure and post-closure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for the implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Great River Regional Waste Authority
Notes to Financial Statement

Note 6. Closure and Post-Closure Care Cost (continued)

GASB Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Authority have been estimated at \$2,045,824 for closure and \$1,111,754 for postclosure care, for a total of \$3,157,578 as of June 30, 2008. The estimated remaining life of the landfill is 25.1 years, with approximately 53.9% of the landfill's active cell capacity used at June 30, 2008. The Authority has established a Closure and Postclosure account to accumulate resources to fund these costs and the closure costs associated with the transfer station discussed in Note 7.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Authority has begun to accumulate resources to fund these costs and, at June 30, 2008, assets of \$2,200,666 are restricted for these purposes, of which \$1,996,031 is for landfill and transfer station closure and \$204,635 is for landfill postclosure care. They are reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Authority is required to demonstrate financial assurance for the unfunded costs. The Authority has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Authority must certify the following to the Iowa DNR:

- The fund is dedicated by local government statute as a reserve fund
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Authority is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Great River Regional Waste Authority
Notes to Financial Statement

Note 7. Transfer Station Closure Care

To comply with state regulations, the Authority is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or wastewater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all wastewater in the wastewater management system.

To comply with state regulations, the Authority is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Authority as of June 30, 2008 have been estimated at \$19,081. As indicated in Note 6, these costs are fully funded at June 30, 2008.

Note 8. Solid Waste Tonnage Fees Retained

The Authority has established an account for restricting and using solid waste tonnage fees retained by the Authority in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2008, the unspent amount retained by the Authority and restricted for the required purpose totals \$368,538.

Note 9. Litigation Settlement

The Authority was a defendant in a lawsuit and on June 29, 2007 entered into a Settlement Agreement with the Des Moines County Regional Solid Waste Commission. The agreement requires gate fee refunds of \$25,000 on July 1, 2007, July 1, 2008 and July 1, 2009. The Authority paid the first \$25,000 installment on June 29, 2007 and the second \$25,000 installment on June 27, 2008.

Note 10. Risk Management

The Authority is a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool, whose members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Great River Regional Waste Authority
Notes to Financial Statement

Note 10. Risk Management (continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Authority's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Authority's annual contributions to the Pool for the year ended June 30, 2008 were \$80,243, including \$40,575 related to the year ended June 30, 2007.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three years.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Great River Regional Waste Authority
Notes to Financial Statement

Note 10. Risk Management (continued)

The Authority also carries commercial insurance purchased from another insurer associated with the employee blanket bond in the amount of \$25,000. The Authority assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Contingencies

On August 3, 2007, the Authority approved an agreement with the Federal Aviation Authority (FAA) and the City of Fort Madison for the relocation of a grass runway at the Fort Madison Municipal Airport at an estimated cost of \$300,000. The relocation is required to comply with distance requirements between the landfill and the active airport area. This cost is to be covered by a portion of the bond proceeds from bonds issued by Lee County and disbursed to the Authority during the year ended June 30, 2008, representing Lee County's 95% share of landfill operations and use. As of June 30, 2008, the FAA had not issued final approval for the project and no disbursements related to the relocation of the runway had been made.

Note 12. Related Party Transactions

During the year ended June 30, 2008, the Authority received a capital contribution of \$3,786,256 from Lee County. The contribution is restricted for future capital expansion. The Authority also received \$57,000 from the sale of equipment to the City of Fort Madison.

Note 13. Prospective Accounting Change

The GASB has issued several statements not yet implemented by the Authority. The statements, which might impact the Authority, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the Authority for the fiscal year ending June 30, 2009. This Statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This Statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the Authority for the fiscal year ending June 30, 2010. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities or assets, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the Authority for the fiscal year ending June 30, 2009. This Statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

**Great River Regional Waste Authority
Schedule of Indebtedness
Year Ended June 30, 2008**

Obligation	Date of Issuance	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Capital leases:								
Lift truck	9/16/2003	4.50%	\$ 28,133	\$ 1,276	\$ -	\$ 1,276	\$ -	\$ 5
Skid loader	9/11/2004	4.25%	21,146	626	-	626	-	1
Powerscreen shredder	7/1/2003	4.83%	345,850	205,119	-	33,433	171,686	9,489
CMI Biogrind 400 grinder	9/23/2002	5.84%	251,100	141,285	-	25,099	116,186	7,893
Loader	7/22/2003	3.75%	96,918	2,172	-	2,172	-	5
Compactor and CAES	7/30/2004	4.75%	683,688	<u>350,688</u>	<u>-</u>	<u>141,102</u>	<u>209,586</u>	<u>12,359</u>
Total				<u>\$ 701,166</u>	<u>\$ -</u>	<u>\$ 203,708</u>	<u>\$ 497,458</u>	<u>\$ 29,752</u>
Notes:								
Iowa Department of Natural Resources - SWAP loan	2/2002	0.00 %	\$ 150,000					
Iowa Department of Natural Resources - SWAP loan	2/2002	3.00 %	126,250	<u>\$ 45,589</u>	<u>\$ -</u>	<u>\$ 45,589</u>	<u>\$ -</u>	<u>\$ 9,208</u>
Total				<u>\$ 45,589</u>	<u>\$ -</u>	<u>\$ 45,589</u>	<u>\$ -</u>	<u>\$ 9,208</u>



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**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
*Government Auditing Standards***

To the Members of
Great River Regional Waste Authority

We have audited the financial statement of Great River Regional Waste Authority (Authority) as of and for the year ended June 30, 2008, and have issued our report thereon dated June 29, 2009. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Authority's financial statement that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described in the Schedule of Findings are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Authority's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Authority's responses, we did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended for the information and use of the members and customers of Great River Regional Waste Authority and other parties to whom the Authority may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Great River Regional Waste Authority during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

June 29, 2009

Great River Regional Waste Authority
Schedule of Findings
Year Ended June 30, 2008

Findings Related to the Financial Statements

MATERIAL WEAKNESSES

- (A) Preparation of the Financial Statement - The Authority does not have an internal control system designed to provide for the preparation of the financial statement in accordance with an other comprehensive basis of accounting, nor has management identified risks related to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements. Therefore, as auditors, we were requested to draft the financial statement and accompanying notes to the financial statement. This circumstance is not unusual for a governmental entity similar in size to the Authority. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We recognize that obtaining the expertise necessary to prepare the financial statement, including all necessary disclosures, can be considered costly and difficult with a limited number of office employees. However, we recommend that the Authority's management and those charged with governance continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response - The Authority will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in the preparation of the financial statement.

Conclusion - Response accepted.

- (B) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Management has not separated incompatible activities of personnel, thereby creating risks to the safeguarding of cash and accuracy of the financial statement. We noted the following:
- (1) Detailed accounts receivable records are not maintained by someone who is independent of the process of recording billings and cash receipts
 - (2) There is no indication that bank to book monthly reconciliations have been examined by an independent reviewer.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the Authority should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel.

Response - Presently we have an office staff of one. We do use the scale clerk to separate as much of the cash receipts work as possible. We are utilizing the operations manager to do some checking of recording as his time permits. Segregation of duties will be mostly impossible until such a time as we might be able to increase staff.

Conclusion - Response acknowledged. The Authority should continue to utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Great River Regional Waste Authority
Schedule of Findings
Year Ended June 30, 2008

(C) Information Systems - The following weaknesses in the Authority's computer-based systems were noted:

The Authority does not have written policies for -

- (1) Requiring time out/log off or screen saver password to protect computer terminals when not in use
- (2) Requiring passwords be changed at least every 60 to 90 days
- (3) Maintaining password privacy and confidentiality
- (4) Number of letters or characters required for passwords
- (5) Requiring backup tapes be stored off site daily

Also, the Authority does not have a written disaster recovery plan for computer-based financial information.

Recommendation - The Authority should develop written policies addressing the above items in order to improve the Authority's control over computer-based systems. A written disaster recovery plan for computer-based financial information should be developed and should be tested periodically.

Response - With an office staff of one passwords are for the most part a non-issue. We simply have no one who would be attempting to access computer programs or files unauthorized. Also, all main financial data is maintained on a server and this requires a second login and password to access. The operations manager must have knowledge of these logins and passwords in order to be able to continue operations during absences of the employee. A written disaster recovery plan will be prepared as soon as we can find someone who can give us direction on this.

Conclusion - Response accepted. The Authority should also ensure backup tapes are stored off site.

(D) Reconciliation of Billings, Collections and Delinquencies - Charge account billings, collections and delinquent accounts were not reconciled. Additionally, the Authority does not have a written policy for the write-off of delinquent accounts.

Recommendation - The Authority should establish a written policy for delinquent account write-offs. Additionally, procedures should be established to reconcile customer billings, collections and delinquencies monthly. An independent individual should review the reconciliations, monitor delinquencies and approve write-offs of uncollectible accounts.

Response - We will work to establish and implement a procedure to reconcile customer billings, collections and delinquencies monthly. As with other procedures, we have no independent reviewer available.

Conclusion - Response acknowledged. Even under a cash basis system, the receivables should be tracked and reconciled to collections and billings. This reconciliation should be reviewed by someone independent of billing and collecting. In addition, the Authority should establish a policy for delinquent account write-offs.

Instances of Non-Compliance

No matters were reported.

Great River Regional Waste Authority
Schedule of Findings
Year Ended June 30, 2008

Other Findings Related to Statutory Reporting:

- (A) Official Depositories - A resolution naming official depositories has been approved by the Authority. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.
- (B) Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (C) Travel Expense - No disbursements of Authority money for travel expenses of spouses of Authority officials or employees were noted.
- (D) Authority Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not. However, gross salaries/wages were not published as required.

Recommendation - The Authority's gross wages/salaries should be published as required by Chapter 28E.6 of the Code of Iowa.

Response - Wages and salaries will be published.

Conclusion - Response accepted.

- (E) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Authority's investment policy were noted.
- (F) Solid Waste Tonnage Fees Retained - During the year ended June 30, 2008, the Authority used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (G) Financial Assurance - The Authority has elected to demonstrate financial assurance for closure and postclosure care cost by establishing a local government dedicated fund as provided by Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Closure	Postclosure
Total estimated costs for closure and postclosure care	\$ 2,045,824	\$ 1,111,754
Less: Closure and postclosure care costs assured under the local government test at June 30, 2007	<u>1,990,498</u>	<u>101,601</u>
	55,326	1,010,153
Divided by the number of years remaining in the pay-in-period	<u>10</u>	<u>10</u>
Required payment into the local dedicated fund for the year ended June 30, 2008	5,533	101,015
Balance of funds held in the local dedicated fund at June 30, 2007	<u>1,990,498</u>	<u>101,601</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2008	<u>\$ 1,996,031</u>	<u>\$ 202,616</u>
Amount Authority has restricted and reserved for closure and postclosure care at June 30, 2008	<u>\$ 1,996,031</u>	<u>\$ 204,635</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure fund be made at least yearly, and that the deposits shall be made within 30 days of the close of the fiscal year. No deposit was required during the year ended June 30, 2008.